2011–12 Annual Report

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Corporate & Executive Team Directory 2012

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Stephen Lougheed
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Innovates Centre of Research Excellence (iCORE)

Dr. John Kendall
General Manager, Innovates Centre of Research Excellence (iCORE)

Brent Lakeman
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Richard Wayken
General Manager, Bio and Industrial Technologies

Alberta Innovates-Technology Futures
2011–12 Annual Report

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1 Executive Summary

Part of Alberta's research and innovation system, Alberta Innovates-Technology Futures (AITF) provides: technical research and development support and advisory services; business innovation and talent development programs; and regionally accessible commercialization support.

Outcomes being achieved by AITF include the commercialization of technologies, development of new knowledge-based industry clusters and an enhanced entrepreneurial culture in Alberta. These outcomes promote economic diversification by increasing the productivity and competitiveness of existing businesses and through the establishment and growth of sustainable new businesses. Aligned to Provincial priorities, AITF's suite of programs and services are designed to meet the needs of entrepreneurs, companies, researchers, post-secondary institutions and investors, in order to build globally competitive commerce in Alberta.

Financial Results:

- 900 companies supported through fee-for-service research contracts and product sales with total revenue of $58.8 million
- 222 companies provided with business innovation and development services
- 12 provincial post-secondary institutions supported in achieving sustainable research excellence
- $165.5 million in total revenue
- $8.5 million of operating surplus
- $17.2 million in working capital

Operating surplus was $8.5 million compared to a budget surplus of $0.5 million. The variance is due to: $3.9 million in revenue from client funded capital assets which, under public sector accounting standards, must be recognized in the year equipment is purchased; and, a $1.9 million grant for the nanoAccelerator program and $1.5 million in grants for the Product Demonstration Fund which were deferred until next fiscal year. When factoring in these adjustments, AITF's operating surplus would have been $1.2 million compared to the $0.5 million budget.

2 Accountability Statement

Alberta Innovates-Technology Futures' annual report for the year ended March 31, 2012, was prepared under the Board's direction in accordance with the Alberta Research and Innovation Regulation, the Government Accountability Act, and ministerial guidelines pursuant to the Government Accountability Act. All material economic, environmental, or fiscal implication of which we are aware, have been considered in the preparation of this report.

Original signed by Ron Triffo

Ron Triffo, PEng
Chair, Board of Directors

3 Management's Responsibility for Reporting Statement

Alberta Innovates-Technology Futures' management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the annual report including the consolidated financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained to produce reliable information that meet reporting requirements, and to ensure that transactions are executed in accordance with all relevant legislation, regulations and policies, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The annual report has been approved by the Board of Directors and is prepared in accordance with ministerial guidelines.

The Auditor General of the Province of Alberta, the corporation's external auditor appointed under the Auditor General Act, performs an annual independent audit of Alberta Innovates-Technology Futures' consolidated financial statements in accordance with Canadian generally accepted auditing standards.

Original signed by Stephen Lougheed

Stephen Lougheed
President and Chief Executive Officer

Original signed by Keith Salmon

Keith Salmon, CA
Chief Financial Officer and Vice President,
Finance and Administration

4 Message from Ron Triffo Chair, Board of Directors

The 2011–12 achievements of Alberta Innovates-Technology Futures reflect an enhanced level of organizational experience and operational focus.

Results were positive. The Applied Research Centres generated $58.8 million in fee-for-service and product sales revenue from research services provided to 900 clients. More than 220 companies were supported with business development and commercialization services from Business Innovation Services. And, with support from the Innovates Centre of Research Excellence and other areas of Technology Futures, the capability and capacity of 12 provincial institutions was enhanced.

These results demonstrate that the organization is strong. At the same time, initiatives undertaken in 2011 at the direction of the Board, position the organization to build further on these strengths.

In June, the Board directed development of a Strategic Organizational and Operational Plan for the Corporation. The review afforded an opportunity to assess the structure, rate of organizational progress, and results after 18 months of operations, against AITF's mandate and defined deliverables.

In the fall of 2011, the Board received and approved recommendations that identified the need for organizational restructuring and realignment. The intent was to: provide direct line-of-sight between company operations and the priorities of the provincial government; enhance organizational alignment and focus; and assure delivery of higher value outcomes consistent with the mandate of the corporation.

In September, CEO Gary Albach announced he would be retiring. Subsequently, a CEO Search Committee of the Board was established to find a successor. Following a six-month national executive search process, the appointment of Stephen Lougheed as President and Chief Executive Officer was announced on February 17, 2012.

Implementation activities proceeded immediately with the establishment of three, clearly defined and highly customer-focused operational divisions who work collaboratively: Applied Research Centres; Innovates Centre of Research Excellence; and, Business Innovation Services.

With organizational emphasis focusing on operational areas serving the customer, work has begun to adjust back-of-house corporate overhead to commensurate levels. Corporate processes are being streamlined, role clarity and accountability is being enhanced, and employee-engagement and collaboration are being strengthened through innovative, two-way communications channels.

Efforts began, and will continue through 2012, to strengthen the executive team, and further align and engage senior leaders and employees throughout the organization. Late in the year, efforts were undertaken to increase and strengthen relationships within the Alberta Innovates family of corporations, and to enhance strategic connection with our key Ministry, Enterprise and Advanced Education. In particular, EAE's 2012–13 Business Plan goal to create the circumstances whereby "excellence in research, innovation and commercialization drives Alberta's future success" was identified and reinforced for inclusion in operational planning.

It is a credit to the AITF team that, through this period of changing corporate leadership, adjustments to the Executive Team, reorganization and realignment, and refined customer focus, results remained strong.

In total, AITF delivered more than $1.6 billion in direct benefits to the Alberta economy in 2011–12. Put another way, for every dollar invested by the province of Alberta, AITF's efforts created $13 dollars of economic impact for Albertans.

The results of the past year, effectively position AITF to enter its third year of operations structured to deliver a higher level of economic outcomes, a stronger suite of value-added products and services, and enhanced commercialization infrastructure within the context of a more aligned and integrated Alberta Innovates System.

5 Performance Measurement

AITF continues efforts to refine its business planning process particularly in relation to performance measurement.

All areas contribute to corporate results through their programs, grants, investments, partnerships, and fee for service contracts with over 900 companies and government departments.

Goals	Performance Indicator	2016 Target	2012 Target	2012 Actual
Economic Impact on Alberta Economy	• Total Economic Impact [1] [2]	$1.5B+	$1.2B	$1.6B
	• Jobs Created [1] [3]	TBD	TBD	505
	• Mandate Effectiveness [1] ($ economic impact/$ provincial investment [4])	13X	10X	13X
Expanded Support for SME's	• Double economic impact from SME's by 2016 [1]	$56M	TBD	$16M
Improve Understanding, Accountability and Relevance with Customers and Stakeholders	• Customer satisfaction	95%	90%	NA [5]
Create Innovation within our Natural Strength Areas by Refining and Refocusing Programs	• Commercialization to AITF Investment Leverage	4:1	2.7:1	3:1
Innovating Internally	• Employee Satisfaction	95%	85%	NA [5]
	• Corporate Overhead as % of Total Revenue	9.5%	10.1	8.1%

[1] As measured by the annual economic impact assessment estimate, based on a limited number of selected clients in 2011–12.

[2] Economic impact on the province is defined as "the increase in sales, cost savings or funding attracted by an AITF customer, partner or grant recipient, whom the customer, partner or grant recipient attributes to the work that AITF did with or for them or the grant awarded to them."

[3] Jobs created is defined as "the jobs created or saved resulting from the work done by AITF for a customer or partner or grant awarded by AITF to a grant recipient."

[4] Provincial investment is the 2011–12 funding to AITF from the Provincial Government including annual grant, contract revenue and the cost of accommodation.

[5] Customer and employee satisfaction surveys were not conducted in 2011–12.

The following three success stories reflect the scope of outcomes being achieved in progressing technology innovations to market. Additional stories are available on AITF's web site www.albertainnovatestechfutures.ca.

Nano med-lab shrinks time and costs

Shrink a medical lab to the size of a toaster.

Provide test results in minutes, instead of days.

Reduce health-care costs, medical guesswork and indiscriminate use of antibiotics.

Aquila Diagnostic Systems is poised to revolutionize human and animal health-care with its precise and prompt, lab-in-a-box, Domino.

The desktop technology promises to empower doctors, veterinarians and livestock producers with on-site, under-an-hour analysis of a subject's genetic characteristics or infectious illness.

Domino's pioneering research began at the University of Alberta, supported by a $5 million award from Alberta Innovates-Health Solutions.

The research team then created a spinoff company, Aquila, which found commercialization support from Alberta Innovates-Technology Futures (AITF).

Alberta wants to build research and commercial capacity in the priority area of nanotechnology. AITF helps achieve this goal through its nanoAlberta team and related programs, nanoBridge and nanoWorks.

Aquila received an Innovation Voucher to help fund its intellectual property work, as well as business advice from nanoWorks. Aquila was also the recipient of a 2012 NanoVenture Prize sponsored by AITF.

This financial and business support will help Aquila enter the marketplace. The company will first introduce Domino to Alberta's feedlots, where current livestock testing requires shipping of samples to a distant lab. Aquila's plan is to prove its technology on livestock, then progress into applications related to human health.

Domino can perform 20 genetic tests from a single drop of blood on a disposable, postage-stamp-sized plastic chip with reaction compartments measuring one-billionth of a litre, or nanolitre, in size.

The technology can detect blood-borne illness, or provide genetic profiling to help determine optimal drug regimens for the treatment of diseases like cancer.

Aquila serves as an example of how Alberta's innovation system works to guide new and exciting ideas from lab-based research to the marketplace. It is one example of the results being achieved in support of economic diversification in Alberta.

Turning sludge into green gold

Turning lemons into lemonade is nothing compared to the innovative magic performed by Alberta's mechanical pulp mills.

Three Alberta forest-product companies turned pulp waste into a high-demand, organic product. Years of testing and trials, guided by Alberta Innovates-Technology Futures (AITF), revealed the potential for pulp sludge to be reused as high-grade reclamation fill and agricultural fertilizer.

Farmers, initially skeptical about sludge, are now being put on waiting lists for delivery of the free and popular organic fertilizer.

Pulp sludge contains valuable soil nutrients, as well as physical characteristics that enhance the structure and water-holding capacity of soil.

The Alberta Newsprint mill in Whitecourt produces 30 tonnes of sludge each day. In the past, the mills were forced to either landfill or incinerate the waste at significant operational and environmental cost.

The idea to recycle the sludge was identified almost 20 years ago when staff at Alberta Newsprint noticed tomatoes growing in pulp effluent. The mill operator contacted AITF's predecessor, the Alberta Research Council, to begin a research project funded by the pulp companies.

First, the sludge was tested to ensure its safety. Then field trials were launched. The test plots revealed that sludge applications significantly improved crop yields. Trees in test plots were also found to grow 20 per cent faster. Once applied, the sludge acts like a slow-release fertilizer that offers benefits for a minimum of five years.

In addition to boosting agricultural productivity, using sludge in this way helps Alberta with its efforts to reduce CO_2 emissions because it safely sequesters carbon in soil and eliminates the need for incineration.

While solely offered as an agricultural product today, pulp sludge holds promise for land reclamation in the forest-products and oil industries.

Based on the success in Alberta, the Canadian pulp industry is investigating the technology for possible national applications.

Energy savings a glimpse away

Albertans willingly conserve energy in their homes when provided with accurate and immediate feedback on household electricity use.

A study by Alberta Innovates-Technology Futures (AITF) reveals that real-time time monitoring of household electricity carries the promise of energy conservation in the near future.

The AITF study, launched in 2010, analysed electrical energy use in 285 homes selected at random in Edmonton and Calgary.

Each home was provided with a wireless monitor capable of real-time feedback on household electricity consumption. Participants were able to watch their electricity use rise and fall as lights and appliances were turned on or off.

Data collected during the one-year study was compared to household power consumption in two previous years. Participants also responded to three surveys, which provided insights into their behaviour and attitudes towards energy conservation.

An average nine per cent reduction in electricity consumption among the sample households was achieved during the study period. The AITF study authors concluded use of this type of technology by all eligible consumers in Edmonton and Calgary could result in savings equal to the one-year output of a 50 megawatt power plant.

The energy savings in Alberta were second only to those in Newfoundland and Labrador when the results from this study were compared with the results from similar studies across other jurisdictions in Canada.

The study was funded by the Alberta government. ENMAX and EPCOR offered in-kind and logistics support. AITF was chosen for its scientific expertise, rigour and objectivity, as well as its ability to manage relationships with multiple stakeholders, concurrently.

The AITF study reveals that Albertans, given the right tools, willingly participate in conservation efforts. It also demonstrates the role and value AITF can play in encouraging technology innovations and applications in Alberta.

The study will help inform regulators and utility companies as they plan energy conservation strategies in coming years.

6 Management's Discussion and Analysis

This discussion and analysis of the operations of Alberta Innovates-Technology Futures (AITF) for the year ended March 31, 2012 should be read in conjunction with the Company's 2011–12 audited consolidated financial statements. The 2011–12 audited consolidated financial statements are prepared in accordance with Canadian public sector accounting standards.

Forward-Looking Statements

This Annual Report contains forward-looking statements about the objectives of AITF and management's expectations, beliefs, intentions and strategies for the future.

All forward-looking statements related to future events reflect management views at March 31, 2012 and are subject to certain risks, uncertainties and assumptions. Actual results, performance and/or achievements may materially differ from any such forward-looking statements. Risks, uncertainties and assumptions include, but are not limited to: general economic conditions; actions by government authorities; actions by regulatory authorities; availability of staff; foreign exchange rates; competitor activity; pricing pressures; and significant major catastrophic natural events.

Executive Summary

Part of Alberta's research and innovation system, AITF provides: technical research and development support and advisory services; business innovation and talent development programs; and regionally accessible commercialization support.

Outcomes being achieved by AITF include the commercialization of technologies, development of new knowledge-based industry clusters and an enhanced entrepreneurial culture in Alberta. These outcomes enhance economic diversification by increasing the productivity and competitiveness of existing businesses and through the establishment and growth of sustainable new businesses. Aligned to Provincial priorities, AITF's suite of programs and services are designed to meet the needs of entrepreneurs, companies, researchers, post-secondary institutions and investors in order to build globally competitive commerce in Alberta.

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Corporate Profile

Established in January 2010 as a Provincial Corporation as defined in the Financial Administration Act operating under the authority of the Alberta Research and Innovation Act, AITF supports research and innovation activities targeting the development and growth of technology-based sectors in alignment with Government of Alberta priorities.

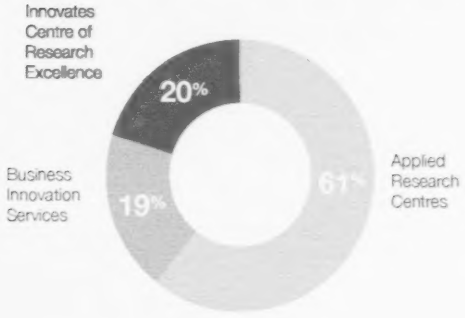
AITF is accountable to the Minister of Enterprise and Advanced Education. C-FER Technologies (1999) Inc. is a wholly owned subsidiary of AITF.

Alberta Innovates was conceptualized as a mechanism to align, focus and optimize provincial research and innovation investments and efforts. Technology Futures collaborates with its sister Alberta Innovates Corporations (Bio Solutions, Energy & Environment Solutions and Health Solutions) within the Alberta Research and Innovation System. Strategically aligned to the direction of the Government of Alberta, the Innovation System supports: effective resource and environmental management; a broadened economic base; and, resilient and healthy communities.

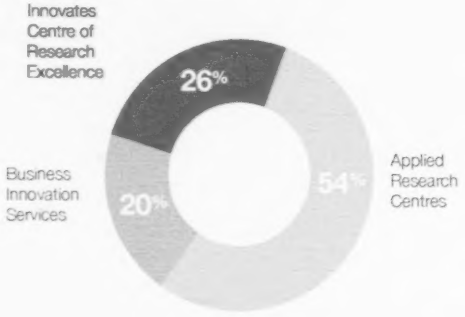
Core Business

AITF has three operational divisions: the Applied Research Centres; the Innovates Centre of Research Excellence; and, Business Innovation Services. Based on percentage of budget, divisional emphasis shifted in 2011–12 to accommodate enhanced emphasis and results in applied research areas.

Core Business 2011–12



Core Business 2010–11



a. Applied Research Centres:

The Applied Research Centres provide R&D services primarily on a fee for service basis to Alberta's leading economic sectors enhancing business competitiveness, accelerating the commercialization of new technologies and building commerce. These services represent 61% or $94.9 million of AITF's 2011–12 expenditures. Client-focused services address industry and business needs for contract research, consortia management, technology transfer, joint research partnerships, collaboration agreements, and pilot plant scale-up and product development. Services address the following portfolios:

Petroleum

- Heavy Oil & Oil Sands:
  - In-situ Heavy Oil and Oil Sands Recovery
  - Tight Oil & Gas
  - Production Technologies
  - Primary Separation & Processing
- Fuels and Lubricants

Environment and Carbon Management

- Clean Energy
- Ecosystem management and Environmental Monitoring
- Environmental Analytical Services
- Geosciences and CO_2 Storage
- Land & Water Management
- Wildlife Ecology

Bio & Industrial Technologies

- Advanced Materials
- Bio Resource Technologies
- Industrial Sensors Technologies

NuRx & Health

C-FER

- Drilling and Completions
- Production
- Pipelines

b. Innovates Centre of Research Excellence (iCORE)

Designed to address specific Government of Alberta priorities and grant funding, the Innovates Centre of Research Excellence functions to optimize Alberta's research investments. iCORE's approach aligns the expanding knowledge base growing in the platform areas of Information and Communications Technology, Nanotechnology and Omics to applications relevant to the health, energy, environment and bio-industrial priorities of Alberta. Within this strategic framework, top global and promising mid-career researchers working in Alberta's priority areas, are recruited to the province. These teams of highly qualified professionals and researchers work in dynamic collaborations with industry, government and academic partners in support of achieving the very best outcomes.

iCORE creates the foundation for the world-class industry/academic research capacity required to drive commercialization and enhance economic diversification in Alberta. Representing 20% or $32 million of AITF's 2011–12 expenditures, program elements provided were:

- Centres of Excellence: The Alberta Innovates Centre for Machine Learning; The Alberta Centre for Advanced Micro and Nanotechnology Products; TECTERRA; Biovantage; The Alberta Glycomics Centre; and, the nanoAccelerator.
- Strategic and Industrial Chairs in ICT, Nanotechnology, Omics and Engineering
- Alberta Innovates Graduate Student Scholarships.

c. Business Innovation Services

Business Innovation Services provides a suite of customer-focused programs enhancing commercialization success, technology transfer, and hi-tech product development targeted to the needs of small and medium enterprises (SME's). The outcome pursued by this division is the establishment of new, knowledge-based businesses and industries, and an entrepreneurial culture, in Alberta. Representing 19% or $29.1 million of AITF's 2011–12 expenditures key elements provided by Business Innovation Services were:

Industry Funding

- Innovation Vouchers
- nanoWorks
- Product Demonstration Fund
- r&D and Commercialization Associates

Business Development

- nanoAlberta
- Regional Innovation Network Development
- Product Development
- Technology Development Advisors
- Technology Development Initiatives
- Youth Technopreneurship

AITF Strategic Objectives and Goals

AITF was established to make strategic and effective use of Alberta Government funding to meet the research and innovation priorities of the Government to:

- Foster the development and growth of new and existing industries, and
- Support a balanced long-term program of research and innovation directed to the discovery of new knowledge and the application of that knowledge to improve the quality of life of Albertans.

AITF's 2011–12 strategic objective:

To be recognized as the preferred innovation and commercialization entity in Alberta by industry, academia and the Government of Alberta.

AITF's 2011–12 strategic goal:

To achieve, on an annual basis, an impact to the Alberta economy of (at least) ten-times (10X) the annual investment from the province.

Operational Goals and Success Targets:

The strategic objective and goal are achieved through the successful implementation of business plans that include operational goals and measureable performance indicators. All areas contribute to corporate results through their programs, grants, investments, partnerships, and fee for service contracts with over 900 companies and government departments.

Goals	Performance Indicator	2016 Target	2012 Target	2012 Actual
Economic Impact on Alberta Economy	• Total Economic Impact [1] [2]	$1.5B+	$1.2B	$1.6B
	• Jobs Created [1] [3]	TBD	TBD	505
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Innovating Internally	• Employee Satisfaction	95%	85%	NA [5]
	• Corporate Overhead as % of Total Revenue	9.5%	10.1	8.1%

[1] As measured by the annual economic impact assessment estimate, based on a limited number of selected clients in 2011–12.

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[4] Provincial investment is the 2011–12 funding to AITF from the Provincial Government including annual grant, contract revenue and the cost of accommodation.

[5] Customer and employee satisfaction surveys were not conducted in 2011–12.

Financial Results *(all figures in $000's)*

Results for the years ended March 31, 2012 and 2011 are summarized below along with the 2011–12 and 2012–13 Budgets and include the consolidated results for AITF and its wholly owned subsidiary C-FER Technologies (1999) Inc.

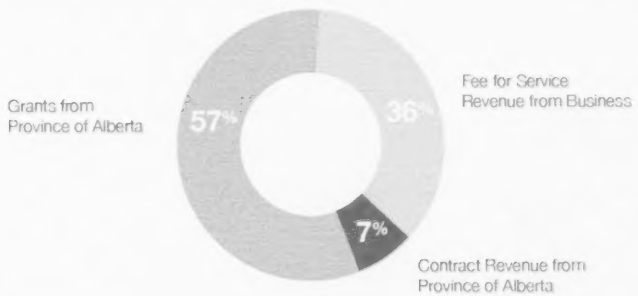
	2011 Actual	2012 Actual	2012 Budget	2013 Budget
Total Revenue	156,369	165,542	160,480	174,628
Grants from the Province of Alberta	81,713	93,988	93,988	98,321
External Contract Revenue	54,111	55,076	54,201	56,823
Contract Revenue from the Province	14,877	12,115	9,234	12,068
Product Sales	5,175	3,719	2,627	6,879
Salaries, Wages and Employee Benefits	59,431	64,398	65,084	68,743
Grants Awarded	60,604	59,507	60,246	65,375
Operating Surplus	2,631	8,505	484	656
Investment in Capital Assets	4,709	6,241	4,475	5,120
Cash	29,530	35,089	18,900	22,631
Working Capital[1]	10,244	17,168	7,200	10,931
Employee Turnover	12.8%	13%	10%	10%

[1] Working Capital = Current Assets less Current Liabilities

Revenue

For 2011–12, AITF's total revenue was $165.5 million, of which $94 million was the annual core grant from the Province of Alberta. External contract revenue and product sales with businesses totaled $58.8 million. Contract revenue from the Alberta Government was $12.1 million.

Revenue by Source 2011–12



Grant funds were used to make awards of $59.5 million. The remainder was used to support commercialization, technology transfer, strategic programs and investment in capital equipment. The province's annual core grant to AITF is vital to maintain stability, leverage consortia and generate additional longer-term research support from other government and industry sources. AITF strives to maintain long-term strategic research and development capacity on behalf of the Government of Alberta while ensuring relevance through market discipline and industrial linkages.

Grants awarded address the product and market development and commercialization needs of industry, post-secondary institutions and other research performers. Funding also supports other regional delivery providers, encouraging a pan-Alberta approach to commercialization and accelerated growth within technology-based organizations and networks.

Total revenue for 2011–12 was $165.5 million which is $5.1 million above budget due to higher product sales and provincial government contract revenue. Grants from the Province of Alberta were $94 million.

External contract revenue was slightly above budget at $55.1 million. Contract revenue from Alberta government sources was $12.1 million which is $2.9 million greater than budget due to higher program funding. Product sales of $3.7 million were $1.1 million above budget and were primarily attributable to prototype sensors developed for use in oil sands operations.

Leverage

A number of research and innovation investment programs from AITF generate further investment leverage from other funding sources. In the case of industrial and strategic research chairs, the investment leverage is a minimum of 3:1, with leverage dollars attracted by industrial chair partners and consortia, and by other federal and international funding agencies. In the case of collaborative centres (e.g., TECTERRA, Biovantage, the Alberta Innovates Centre for Machine Learning and the Alberta Glycomics Centre), the leverage is broader in scope, because the sources of complementary funds arise from industry, provincial and federal government programs, and not-for-profit funds, e.g., Alberta Health Services research investments. In this case, the leverage is anywhere from 2:1 to 4:1. For industrial associates programs, the leverage arises from matching funds through the placement of highly skilled people in industry. The Regional Innovation Network (RIN) and Innovation Vouchers programs are not directly leveraged, but create medium- to long-term leverage based on the success of the industries that receive support.

Expenses

Salaries, Wages and Employee Benefits were $64.4 million which was $0.7 million less than budget. Salaried employees represented an average of 565 full time equivalents during 2011–12. Employee turnover was 69 or 13% and 73 employees were hired. Grants awarded were $59.5 million which was $0.7 million less than budget.

Operating Surplus

Operating surplus was $8.5 million compared to a budget surplus of $0.5 million. The variance is due to: $3.9 million in revenue from client funded capital assets which, under public sector accounting standards, must be recognized in the year equipment is purchased; and, a $1.9 million grant for the nanoAccelerator program and $1.5 million in grants for the Product Demonstration Fund which were deferred until next fiscal year. Without these adjustments, AITF's operating surplus would have been $1.2 million compared to the $0.5 million budget.

Capital Assets

AITF invests in lab and research equipment and infrastructure for the Applied Research Centres division. Of the $6.2 million investment during 2011–12, $3.9 million was funded by clients and partners.

Financial Condition

Total AITF assets were $81.7 million which is $7.4 million more than 2010–11. This was due to higher cash and higher tangible capital assets. The net book value of tangible capital assets grew $1.6 million due to higher investment in capital assets from client funding. Total accounts receivable and other assets were $20.5 million. The aged profile of accounts receivable at year-end was 13% over 90 days.

Working capital was $17.2 million compared to $10.2 million last year-end due to the increase in operating surplus. Net assets were $43.3 million.

Outlook

AITF will continue to align its strategic and operating plans to Government of Alberta priorities and goals. Corporate performance measures are being redesigned to enhance the linkage between employee performance goals and operating plan objectives.

The AITF operating budget for 2012–13 reflects $174.6 million in total revenue which includes $98.3 million in grant from the province. External contract revenue is budgeted at $56.8 million, a $1.7 million increase. Alberta Government contract revenue is expected to be $12.1 million which is the same as 2011–12. Product sales are budgeted at $6.9 million which is a $3.1 million increase.

AITF will implement a new Corporate Information System (CIS) over the next few years. The first phase, a new financial system, is scheduled to be operational in the summer of 2013. Additional phases of the project include a grant management system, customer relationship management, project management and human resources management components.

AITF established an internal legal service with the hiring of Corporate Legal Counsel during 2011–12. Legal services at AITF will greatly improve the quality of contracts, decrease legal risk and better manage intellectual property going forward.

AITF will continue to streamline corporate overhead costs by driving efficiencies and alternative delivery methods when reasonable and prudent to do so. Corporate overhead as a percentage of gross revenue was 8.1% during 2011–12 compared to a budget of 10.1%. The 2012–13 target is 6.2%.

Enterprise Risk Management

AITF is exposed to many factors that could adversely affect its operations and outcomes. As part of the Enterprise Risk Management process, senior management identifies risks pertaining to stakeholders, markets, finance and operations (e.g. facility, health, safety and environment, legal and employee). Additional risks and uncertainties AITF is not aware of, may also become important factors that adversely affect the corporation.

Each risk factor is assessed as to occurrence and impact, compared to the previous year's assessment, provided risk mitigation actions and strategies, and ranked by senior management. A comprehensive risk assessment is presented annually to the Audit Committee of the Board of Directors. The five highest ranked risks are:

A significant decrease in support from Alberta Infrastructure could jeopardize AITF's ability to operate, lead to loss of customers and partners, and limit the ability to achieve its mandate.

AITF is highly dependent on ongoing support from Alberta Infrastructure, the Ministry that owns, operates and maintains all AITF facilities. AITF risk mitigation strategies include working with the province to secure funding for renovations, re-allocation of existing programs within current facilities, and prioritizing programs for future growth or reduction.

Strategic planning and priorities must be in areas beneficial to AITF's provincial mandate or the core grant from the province could be reduced and/or relevance as a funding organization could be lost.

AITF will continue to enhance the alignment of its strategic and operating plans to Government of Alberta priorities and goals by redesigning corporate performance measures and improving the linkage between employee performance goals and operating plan objectives.

Fluctuations in demand for fee-for-service R&D based on economic downturns, international competition or customer specific factors can cause work to become scarce in affected sectors.

To mitigate this risk, AITF will focus on client relationship management, the delivery of unique and superior services and products that match capacity to demand, and continue to emphasize issues deemed critical to Alberta. AITF will focus on long term projects including Environmental Monitoring, partnerships with the Alberta Biomaterials Development Centre, AOSTRA 2.0 concepts with COSIA and the Government of Alberta and other bio-economy initiatives being pursued by the province.

The Alberta Innovates system changes have significantly challenged heritage organizations branding resulting in some loss of visibility or understanding by some customers.

Reputation is strongly dependent on people outside government understanding the new AITF. Any of the risks faced by AITF, as well as a major crisis, have the potential to negatively impact corporate reputation. To mitigate this risk, AITF will deliver on the innovation and economic development agenda as outlined in the Alberta Innovates strategy. AITF will also ensure all actions and strategies to mitigate risks identified in the comprehensive risk assessment are implemented.

Recruiting and retaining world-class engineers, scientists and staff have a direct bearing on the research undertaken and its value to Alberta.

Highly qualified researchers with excellent reputations are subject to recruitment by industry and government. Retirement of employees is a significant concern as a large portion of the current workforce is or will soon become eligible for full pension status. The loss of next generation scientific and professional leadership could have significant repercussions on AITF's ability to deliver on its Provincial mandate, maintain creditability, and maintain international and global scientific/technical leadership.

To mitigate these risks, AITF has a comprehensive performance management and compensation system designed to attract and retain top scientists and engineers. AITF will: establish development strategies for individuals identified as future program and operational leaders; strategically hire new employees; develop an orderly and systematic knowledge transition process to offset the loss of knowledge; and, establish alternative working arrangements for potential retirees.

Controls and Procedures

Internal control systems have been established and procedures are followed to effectively safeguard company assets, pay statutory withholdings and remittances, and ensure transactions are executed in accordance with all relevant legislation, regulations and policies. There has been no change to AITF's internal controls over financial reporting during the year ended March 31, 2012.

Internal controls to monitor grant agreements will be modified during 2012–13 to ensure consistency and to verify the achievement of grant recipient objectives.

Corporate Governance

Board of Directors

AITF's Board of Directors presently includes 11 members all of whom are independent and free from any interest that could interfere with their ability to act in the best interest of the Corporation and its owner, the Government of Alberta.

The Board's mandate is to oversee and make AITF's management accountable, working in support of the company's best interests.

The Board fulfills its mandate by:

- Overseeing the strategic and business planning process
- Satisfying itself as to the integrity of the CEO and executive officers
- Reviewing and monitoring the Corporation's principal business risks as identified by management, along with the systems for managing such risks

- Approving, developing and monitoring the senior executive team
- Ensuring AITF has policies and processes in place to communicate effectively with the Government of Alberta, other stakeholders, and the public in general
- Reviewing and approving the annual audited consolidated financial statements, quarterly consolidated financial statements and related Management Discussion and Analysis based on recommendations of the Audit Committee
- Ensuring that management maintains the integrity of the Corporation's internal controls and management information systems especially in relation to the integrity of financial data, accounting principles, environmental regulations, corporate strategy implementation and material decisions.

Audit Committee

The Audit Committee monitors, evaluates, advises and makes recommendations to the Board on matters affecting financial reporting, the annual financial audit, risk management and the internal control policies and practices of the Corporation.

Governance and Compensation Committee

The Governance and Compensation Committee ensures an appropriate corporate governance system is in place for the Board to discharge its obligations, reviews compensation and performance of the CEO and other senior management, and assesses the performance of the Board and Board Committees.

This Management Discussion and Analysis is dated as at May 16, 2012

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March 31, 2012

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Auditor's Report

AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Board of Directors of Alberta Innovates-Technology Futures

Report on the Financial Statements

I have audited the accompanying consolidated financial statements of Alberta Innovates-Technology Futures, which comprise the consolidated statement of financial position as at March 31, 2012, and the consolidated statement of operations and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alberta Innovates-Technology Futures as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Original signed by Merwan N. Saher, FCA

Auditor General, FCA
May 16, 2012
Edmonton, Alberta

Alberta Innovates-Technology Futures

Consolidated Statement of Financial Position

As At March 31, 2012
(dollars in thousands)

	2012	2011
Assets		
Cash and Cash Equivalents (Note 3)	$ 35,089	$ 29,530
Accounts Receivable and Other Assets (Note 4)	20,509	20,254
Tangible Capital Assets (Note 5)	26,091	24,510
	81,689	**74,294**
Liabilities		
Accounts Payable and Accrued Liabilities	24,356	20,846
Unearned Revenue (Note 6)	14,074	18,694
	38,430	39,540
Net Assets		
Net Assets at Beginning of Year	34,754	32,123
Net Operating Results	8,505	2,631
Net Assets at End of Year	43,259	34,754
	$ 81,689	**$ 74,294**

Contractual Obligations (Note 7)

The accompanying notes and schedules are part of these consolidated financial statements.

Approved by the Board of Directors

Original signed by Ron Triffo

Ron Triffo
Board Chair

Original signed by J. Douglas Gilpin

J. Douglas Gilpin
Director and Chair of the Audit Committee

Consolidated Statement of Operations

For the year ended March 31, 2012
(dollars in thousands)

	2012 Budget	2012 Actual	2011 Actual
Revenues			
Grants from Province of Alberta	$ 93,988	$ 93,988	$ 81,713
External Contract Revenue	54,201	55,076	54,111
Contract Revenue from Province of Alberta	9,234	12,115	14,877
Product Sales	2,627	3,719	5,175
Investment Income	430	644	493
	160,480	165,542	156,369
Expenses – Directly Incurred (Schedule 1 and Note 2 c)			
Applied Research Centres	89,059	94,881	81,202
Business Innovation Services	39,616	29,085	30,311
Innovates Centres of Research Excellence	31,321	31,950	40,045
	159,996	155,916	151,558
	484	9,626	4,811
Impairment of Tangible Capital Assets	-	1,121	2,180
Net Operating Results	**$ 484**	**$ 8,505**	**$ 2,631**

The accompanying notes and schedules are part of these consolidated financial statements.

Alberta Innovates-Technology Futures

Consolidated Statement of Cash Flows

For the year ended March 31, 2012
(dollars in thousands)

	2012	2011
Operating Transactions		
Net Operating Results	$ 8,505	$ 2,631
Non-Cash Items Included in Net Operating Results:		
Amortization	3,532	2,872
Impairment of Tangible Capital Assets	1,121	2,180
Net change in Non-Cash Working Capital Items:		
(Increase)/Decrease in Accounts Receivable and Other Assets	(255)	8,946
Increase in Accounts Payable and Accrued Liabilities	3,510	3,542
(Decrease) in Unearned Revenue	(4,620)	(9,399)
Cash Provided by Operating Transactions	11,793	10,772
Capital Transactions		
Acquisition of Tangible Capital Assets	(6,241)	(4,709)
Proceeds on Sale of Tangible Capital Assets	7	9
Cash Applied to Capital Transactions	(6,234)	(4,700)
Increase in Cash and Cash Equivalents	5,559	6,072
Cash and Cash Equivalents, Beginning of Year	29,530	23,458
Cash and Cash Equivalents, End of Year	**$ 35,089**	**$ 29,530**

The accompanying notes and schedules are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended March 31, 2012

NOTE 1 AUTHORITY AND PURPOSE

Alberta Innovates-Technology Futures (the Corporation) is a Provincial Corporation, as defined in the Financial Administration Act, that was established on January 1, 2010, and operates under the authority of the Alberta Research and Innovation Act. The objects of the Corporation are to support, for the economic and social well-being of Albertans, research and innovation activities targeted at the development and growth of technology-based sectors and aligned to Government of Alberta priorities, including, without limitation, activities directed at the commercialization of technology and the application of knowledge.

The Corporation is exempt from Canadian federal and Alberta provincial income taxes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Corporation operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these consolidated financial statements do not report a net debt indicator.

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. Management uses judgment to determine such estimates. In management's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below.

a) Basis of Consolidation

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the Corporation and its wholly owned subsidiary, C-FER Technologies (1999) Inc. All intercompany balances and transactions have been eliminated on consolidation.

b) Revenue Recognition

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue. Externally restricted revenue is recognized as revenue in the period in which the resources are used for the purpose specified. Funds received prior to meeting the criteria are recorded as unearned revenue until the resources are used for the purpose specified.

Operating and unrestricted grants are recognized as revenue in the year the transfers are authorized. Restricted grants are included in unearned revenue when received, and recognized as revenue when the Corporation meets the conditions of the grant.

Contract revenue is recognized using the percentage of completion method. The Corporation makes full provision for all known or estimated losses on uncompleted contracts as soon as they can reasonably be estimated.

Revenue from product sales is recognized when products are delivered.

Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collection. Gains and losses arising from disposals of investments are included in the determination of investment income.

c) Expenses

Directly incurred expenses are costs the Corporation has primary responsibility and accountability for including operating expenses such as salaries and benefits, and supplies and services.

Grants are recognized as expenses when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

Services contributed by other entities in support of the Corporation's operations have not been recorded in the consolidated financial statements and are disclosed in Schedules 3 and 4.

d) Assets

Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets of the Corporation are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Tangible Capital Assets

Tangible capital assets of the Corporation are recorded at historical cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for major systems enhancements is $25,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Donated tangible capital assets are recorded at their fair value at the time of contribution. Fair value is defined as the amount of consideration that would be agreed upon in an arms length transaction between knowledgeable, willing parties who are under no compulsion to act. Amortization is only charged if the asset is in use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

e) Net Assets

Net assets represent the difference between the carrying value of assets held by the Corporation and its liabilities.

f) Employee Future Benefits

The Corporation participates in multi-employer defined benefit pension plans with related government entities that provide pensions for the Corporation's participating employees based on years of service and earnings. The Corporation does not have sufficient plan information on these pension plans to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension costs included in these financial statements are comprised of the cost of the employer contributions for the current service period of employees during the year and additional employer contributions for service relating to prior years.

The Corporation operates a defined contribution pension plan. Pension costs included in these consolidated financial statements are comprised of the cost of employer contributions for the current service of employees during the year. There are no unfunded liabilities with respect to pension and pension costs.

NOTE 3 CASH AND CASH EQUIVALENTS

(in thousands)

Cash and cash equivalents in the amount of $35,089 (2011 – $29,530) includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta amounting to $33,029 (2011 – $28,228). The CCITF is managed with the objective of providing competitive investment income to depositors while maintaining appropriate security and liquidity of depositors' capital.

CCITF is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2012, securities held by the Corporation had a time-weighted of return of 1.25% per annum (2011 – 1.08% per annum). Due to the short-term nature of the CCITF investments, the carrying value approximates fair value.

NOTE 4 ACCOUNTS RECEIVABLE AND OTHER ASSETS

(in thousands)

	2012			2011
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	$ 9,753	$ 123	$ 9,630	$ 11,583
Alberta Government Departments and Agencies	1,332	-	1,332	1,099
Accrued income receivable	9,079	-	9,079	7,155
Prepaid	468	-	468	417
	$ 20,632	**$ 123**	**$ 20,509**	**$ 20,254**

Accounts receivable are unsecured, non-interest bearing and reported at their estimated net realizable value.

NOTE 5 TANGIBLE CAPITAL ASSETS

(in thousands)

	Land	Building (a)	Equipment	Computer Hardware	2012 Total	2011 Total
Estimated Useful Life	Indefinite	30 years	5–20 years	3 years		
Historical Cost						
Beginning of year	$ 566	$ 4,981	$ 50,576	2,986	$ 59,109	$ 55,209
Additions		356	5,707	178	6,241	4,709
Disposals		(15)	(908)		(923)	(809)
	$ 566	$ 5,322	$ 55,375	$ 3,164	$ 64,427	$ 59,109
Accumulated Amortization						
Beginning of year	$	$ 1,627	$ 30,792	$ 2,180	$ 34,599	$ 30,347
Amortization expense including impairment		239	4,066	348	4,653	2,872
Effect of disposals		(15)	(901)		(916)	1,380
	$ -	$ 1,851	$ 33,957	$ 2,528	$ 38,336	$ 34,599
Net Book Value at End of Year	**$ 566**	**$ 3,471**	**$ 21,418**	**$ 636**	**$ 26,091**	
Net Book Value at Beginning of Year	**$ 566**	**$ 3,354**	**$ 19,784**	**$ 806**		**$ 24,510**

(a) Building includes Leasehold Improvements which are amortized over 25 years.

(b) The net book value of capital assets under construction that are not currently being amortized is $5,114 (2011 – $2,295).

NOTE 6 UNEARNED REVENUE

(dollars in thousands)

	2012	2011
Balance, beginning of year	$ 18,694	$ 28,093
Grants received	5,736	2,327
Investment income received	72	85
Grants recognized into revenue	(7,215)	(7,836)
Investment income recognized into revenue	(72)	(85)
Net changes for contract revenue	(3,141)	(3,890)
	$ 14,074	$ 18,694

Unearned revenue represents unexpended, externally restricted funds.

NOTE 7 CONTRACTUAL OBLIGATIONS

(dollars in thousands)

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2012	2011
Obligations under:		
Operating Leases	$ 2,491	$ 3,263
Grants	89,390	101,435
	$ 91,881	$ 104,698

Estimated payment requirements for each of the next five years are as follows:

Obligations Under Operating Leases and Grants

	Operating Leases	Grants	Total
2013	$ 844	$ 36,697	$ 37,541
2014	730	24,201	24,931
2015	522	14,620	15,142
2016	395	11,688	12,083
2017	-	2,184	2,184
	$ 2,491	**$ 89,390**	**$ 91,881**

NOTE 8 EMPLOYEE FUTURE BENEFITS

(in thousands)

The Corporation participates in three multi-employer pension plans, Management Employees Pension Plan, Supplementary Retirement Plan and Public Service Pension Plan, as well as a Defined Contribution Plan. The expense for these pension plans is equivalent to the annual contributions of $4,715 for the year ended March 31, 2012 (2011 – $4,745).

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of $517,726 (2010 – deficiency $397,087) and the Public Service Pension Plan reported a deficiency of $1,790,383 (2010 – deficiency $2,067,151). At December 31, 2011, the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $53,489 (2010 – deficiency $39,559).

NOTE 9 COMPARATIVE FIGURES

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors.

Schedule 1 – Expenses Directly Incurred by Object

For the year ended March 31, 2012
(dollars in thousands)

	2012 Budget	2012 Actual	2011 Actual
Salaries, Wages & Employee Benefits	$ 65,084	$ 64,398	$ 59,431
Grants	60,246	59,507	60,604
Supplies & Services	30,806	28,479	28,651
Amortization of Tangible Capital Assets	3,860	3,532	2,872
	$ 159,996	**$ 155,916**	**$ 151,558**

Schedule 2 – Executive Compensation

For the year ended March 31, 2012
(dollars in thousands)

	2012				2011
	Base Salary [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total
Chair of the Board	$ -	$ 25	$ -	$ 25	$ 19
Board Members	-	118	-	118	114
Chief Executive Officer (4)	336	25	88	449	370
Executives:					
CFO and Vice-President Finance and Administration	239	20	68	327	353
Chief Operating Officer (5)	24	34	4	62	394
Vice-President, Business Innovation Services (6)	176	20	47	243	191
Vice-President, Communications	174	-	50	224	170
Vice-President, Human Resources (7)	223	46	56	325	111
Vice-President, Innovates Centres of Research Excellence (8)	315	-	30	345	327

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Base salary includes regular base pay.
(2) Other cash benefits include honoraria for board members. Other cash benefits for executives include vacation pay, car allowance, lump sum payments and payments in lieu of pension.
(3) Other non-cash benefits include employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plan, employee health care expense accounts, dental coverage, major medical, group life insurance, short and long term disability plans, Workers Compensation Board premiums (estimated) and professional memberships.
(4) For the period of February 17, 2012 to March 31, 2012 there were two Chief Executive Officers.
(5) Chief Operating Officer position was vacated April 30, 2011 and will not be filled.
(6) Current incumbent is in an acting capacity for this position.
(7) Vice-President, Human Resources position was effective October 25, 2010 and paid to March 2, 2012.
(8) Vice-President, Innovates Centres of Research Excellence is seconded from the University of Alberta.

Schedule 3 – Related Party Transactions

For the year ended March 31, 2012
(dollars in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements.

Entities in the Ministry refers to entities consolidated in the Ministry of Advanced Education and Technology. Effective May 8, 2012, the Corporation is now part of the new Ministry of Enterprise and Advanced Education. Other entities outside of the Ministry relates to the remaining entities consolidated at the Provincial level.

Alberta Innovates-Technology Futures had the following transactions with related parties which are recorded on the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities Outside of the Ministry	
	2012	**2011**	**2012**	**2011**
Revenues				
Grants	$ 93,988	$ 81,713	$ -	$ -
Other	10,019	12,955	2,096	1,922
	$ 104,007	**$ 94,668**	**$ 2,096**	**$ 1,922**
Expenses -- Directly Incurred				
Grants	$ 33,305	$ 30,771	$ -	$ -
Other Services	1,162	1,076	626	2,367
	$ 34,467	**$ 31,847**	**$ 626**	**$ 2,367**
Receivable from	**$ 669**	**$ 452**	**$ 663**	**$ 647**
Payable to	**$ 2,476**	**$ 4,839**	**$ 1**	**$ 6**
Unearned Revenue	**$ 9,225**	**$ 12,133**	**$ 91**	**$ 147**
Contractual Obligations	**$ 73,001**	**$ 73,912**	**$ -**	**$ -**

The above transactions do not include support service arrangement transactions disclosed below.

The Corporation also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements. Accommodation expenses incurred by others are disclosed in Schedule 4.

	Other Entities Outside of the Ministry	
Expenses – Incurred by Others	**2012**	**2011**
Accommodation (1)	$ 15,233	$ 14,099
	$ 15,233	**$ 14,099**

(1) The Corporation's share of accommodation costs is based on the proportion of space occupied compared to the total space occupied by all Ministries.

Alberta Innovates-Technology Futures

Schedule 4 – Allocated Costs

For the year ended March 31, 2012
(dollars in thousands)

Program	2012 Expenses (a)	2012 Expenses – Incurred by Others: Accommodation Costs (b)	2012 Total Expenses	2011 Total Expenses
Applied Research Centres	$ 94,881	$ 14,335	$ 109,216	$ 94,398
Business Innovation Services	29,085	650	29,735	30,974
Innovates Centres of Research Excellence	31,950	248	32,198	40,285
	$ 155,916	**$ 15,233**	**$ 171,149**	**$ 165,657**

(a) Expenses – Directly Incurred as per Consolidated Statement of Operations.

(b) Accommodation costs incurred by others have been allocated based upon full-time equivalent staff.

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